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Foreign policy growing rapidly more expensive

In Brussels a few weeks ago Nato Defence Ministers resolved to invest billions in bolstering the West's military muscle. This response made sound sense in view of the Soviet arms build-up and has yet to encounter criticism.

Then came the North-South conference in Paris at which sixteen leading industrialised countries and nineteen major commodity suppliers agreed on an aid programme to the Third World that will, in the long term, similarly involve expenditure in the thousands of millions.

In principle the decisions reached at the North-South talks are likewise deemed indispensable and have been welcomed by all Western governments. Meanwhile the Bonn government continued to backtrack on value added tax at home. It now envisages a VAT increase of one (rather than two) per cent next year from eleven to twelve.

The decision to halve the VAT increase will mean 4,000 million deutschmarks less in additional revenue, but the domestic economic recovery is making such slow headway that the government's decision to opt for discretion rather than valour seems well advised.

Taken on their own, each of these three decisions makes sense and a good case can be argued for all. They were, of course, reached independently, yet the measures resolved in Brussels and Paris seem likely to be more indicative of the future strain on the country's finances than the VAT Intermezzo.

The price of foreign policy is increasing by leaps and bounds. This is particularly true of priority sectors such as

conventional army in Western Europe. Yet politically the Federal Republic is only a medium-sized power.

Bonn makes no attempt to turn its economic and military position to its own advantage, still less to capitalise on its position to the detriment of its partners' vital interests. Any attempt would, in any case, probably founder on unanimous resistance by the others.

"I warn everyone against striving for German leadership in an economic or any other European context," the Chancellor told the Bundestag on two occasions.

Yet although Helmut Schmidt takes good care to pursue foreign policies or foreign trade policies solely in conjunction with other Nato countries or members of the EEC, a number of neighbours are casting suspicious glances in Bonn's direction.

In view of this country's undeniable strength they wonder whether Bonn might not, on the quiet, be trying to overdraw on its opportunities of exerting political influence.

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Nato, the European Community and - progressively - containing the North-South conflict.

There are two main reasons why financial commitments are spiralling:

First, this country now ranks second only to the United States as the West's foremost industrial power. Its payments are in balance even after invisibles have been accounted for, which is more than most countries can claim, and its currency reserves are second to none.

Bonn's relative economic stability is even more noteworthy in comparison with the trials and tribulations of Britain and Italy and France's disappointing failure to regain an even keel.

Second, the Bundeswehr is the largest



Kenneth Kaunda visits Bonn

Zambia's President Kenneth Kaunda and his wife Betty, with this country's President Walter Scheel, and his wife Mildred, in Bonn on 3 June. President Kaunda also had talks with the Minister for Economic Cooperation Marie Schiel, who said that Bonn would increase its financial and technical aid to Zambia. This will include capital aid of DM80 mill. which is DM10 mill. more than was promised during Frau Schiel's recent Africa tour.

Second, the London Nato summit attended by President Carter was followed by a meeting of Defence Ministers at which Nato countries agreed to step up defence spending as demanded by the United States.

The increase envisaged is three per cent per annum in real terms; in other words, it will more than offset inflation rates. What is more, it is to be concentrated on arms expenditure.

Countries in reduced economic circumstances will be spared the full brunt of the proposed increase, with economically sounder countries shouldering more than their fair share.

This means that Bonn, for one, will no longer be able to increase defence spending at a lower rate than budget increases as a whole, as has hitherto been the case.

The European members of Nato, this country in particular, had no option but to agree to Mr Carter's demand. At the London summit they agreed with the US President that the Soviet arms build-up has assumed alarming proportions and accepted the alternatives. Either the East bloc cuts back on arms expenditure or Nato will have to step up defence spending.

Above all, they do not regard Mr Carter's commitment to the Western alliance ("Nato remains the cornerstone of US foreign policy") as an entirely unconditional pledge.

A number of European leaders reckon the greater defence endeavours Mr Carter has called on Europe to undertake are an ultimatum in all but name. Either Europe steps up its defence commitments or the United States may conduct a political or strategic policy review.

The trouble is that although Bonn will no doubt comply with the Nato decisions reached in Brussels other countries may well backslide, persuaded that this country's efforts alone will prove sufficient to save Nato from decline or decay.

Yet Bonn would very much prefer Nato not to shrink gradually to a special

defence relationship between this country and the United States.

Third, the North-South conflict is a meeting point of many of this country's political and trade interests. The Paris talks reached symbolic agreement on a \$1,000 million programme to aid the poorest developing countries, towards which Bonn is to contribute \$300 million.

But the really expensive part of the North-South agreement will be the programme to stabilise commodity prices that was discussed in Paris but will not take shape until the forthcoming Unctad conference at the earliest.

Bonn anticipates a bill of at least \$5,000 million that the industrialised countries will be required to foot, with this country contributing eight per cent towards this total.

This estimate, however, is based on the optimistic assumption that Bonn can rely on the support of other industrialised countries in its resistance to the Group of 77's demands for astronomical amounts.

In addition to a moratorium on the debts of the poorest developing countries and a gradual increase in development aid from 0.3 to the agreed level of 0.7 per cent of GNP, the extra cost will be at least a further 4,000 million deutschmarks on the Bonn budget.

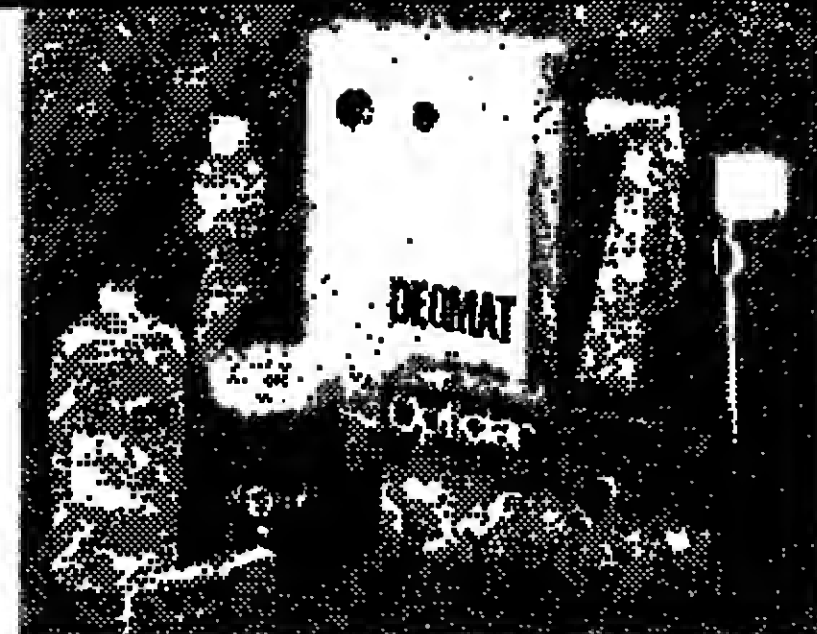
In view of the sums involved one may well wonder whether this country is not biting off more than it can chew. Can Bonn shoulder all these burdens without jeopardising its own stability?

This country does, after all, have more than enough problems of its own. They range from unemployment to an urgent review of welfare provisions. What is more, people continue to expect a further increase in living standards.

In his government policy statement last December Helmut Schmidt made it clear that it is wishful thinking to believe that future growth will enable the State to increase its benefits to the taxpayer.

Kurt Becker
(Die Zeit, 3 June 1977)

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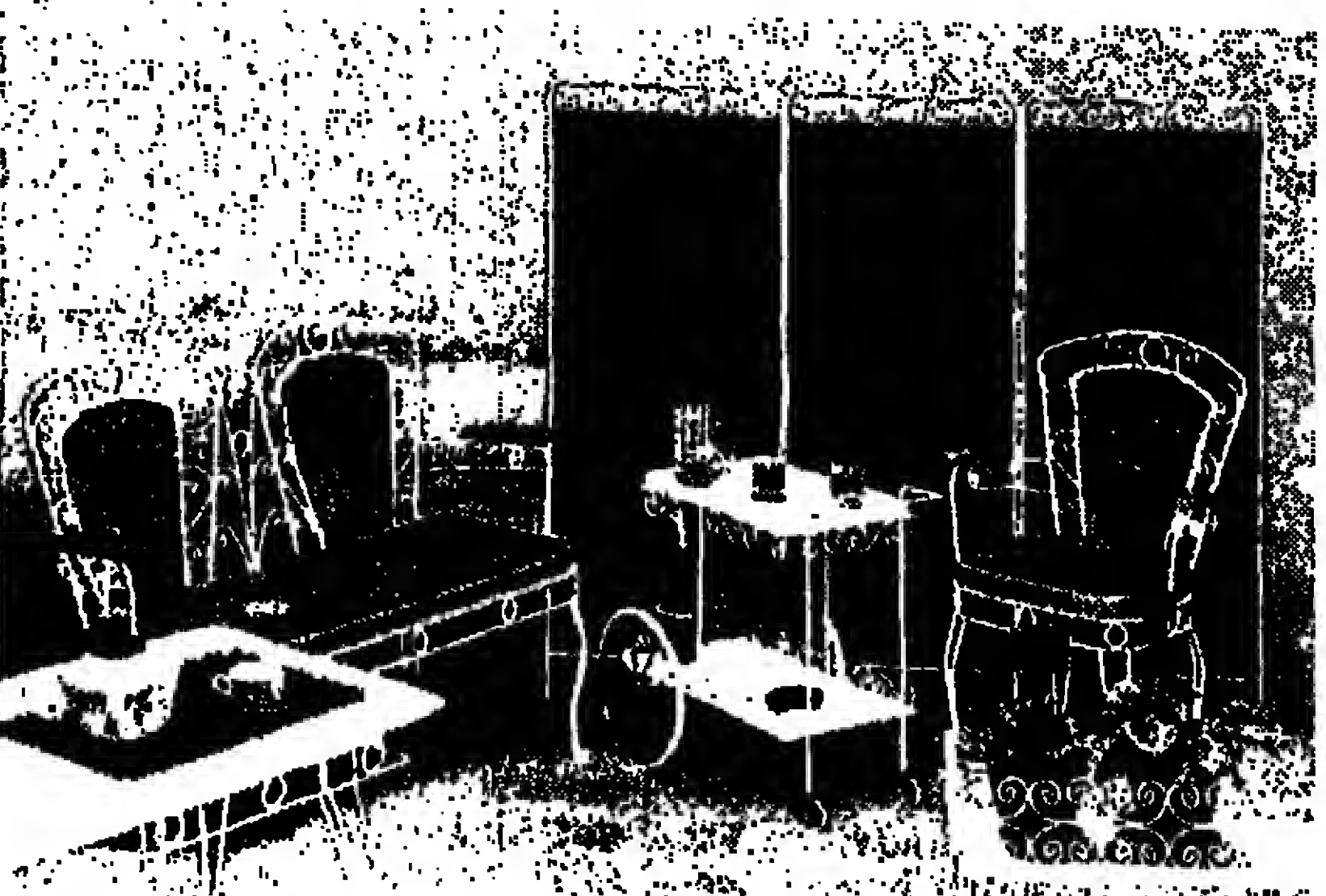
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MOTOR MANUFACTURING

Two-fold strategy for Daimler-Benz in world-wide sales battle

Daimler-Benz, motor manufacturers with the largest domestic turnover and certainly the healthiest profit margins in the country, plan to adopt the strategy of a successful soccer team.

The Stuttgart company, which modestly styles itself "not a multi, just a major domestic firm," aims to field an attacking side while maintaining a good defensive record.

The attack will be launched in the private vehicle sector where, starting this year, output is gradually to be increased to half a million cars a year.

This seems bound to hit rival manufacturers; it will certainly do so if managing director Joachim Zahn is right in assuming that growth rates are slowing down as the market nears saturation point.

Roughly thirty per cent of orders placed last year for a new Mercedes came from customers who in the past have bought their cars from other manufacturers.

Daimler-Benz will need to maintain an impeccable defensive record in the commercial vehicles market, however, where Professor Zahn anticipates a Battle of Europe.

In this battle all that Daimler-Benz can hope for is to maintain its current high share of the market, defending its position tooth and nail from the smallest delivery van to the largest juggernaut.

The new range of Mercedes minibuses will clash head-on with the Volkswagen range, while Daimler-Benz's managing director has visions of Italian, Swedish, British and French commercial vehicle manufacturers making an all-out effort to corner a larger slice of the domestic market.

Daimler-Benz's substantial share of the domestic commercial market will be defended by price cuts if need be, Professor Zahn hints.

This twofold strategy will have a wealth of repercussions both for the company and for its balance-sheet. The

manufacture of private cars, for one, will need to be decentralised.

This alone is a far-reaching move for Mercedes, which has in the past concentrated car production at its Untertürkheim and Sindelfingen works, manufacturing engines at Untertürkheim with car bodies and assembly facilities at Sindelfingen.

Further expansion having met with misgivings on the part of Baden-Württemberg state planning authorities, commercial vehicle capacity is to be converted to cater for additional demand.

This plan is billed as an instance of management flexibility. The new Mercedes estate car will run off the Bremen assembly lines, probably to be followed by a complete saloon model, production of which will be transferred lock, stock and barrel from Sindelfingen.

At the Mannheim works, where buses are currently manufactured, car seats and a number of engine components from Untertürkheim will soon be manufactured too.

Delivery dates remain the major difficulty, however, ranging from six to seven months for the S category and sports models to more than two years for the 200 to 280 E Mercedes saloons.

This particular problem will get worse before it gets better, since orders are currently coming in at a rate forty per cent above capacity.

Daimler-Benz have already announced plans to invest 6,000 million deutschmarks, and the first 1,000 million are to be invested in this country in 1977, plus a further 200 million deutschmarks abroad.

The company's works in Bremen will benefit to the tune of 230 million deutschmarks this year, while more than 100 million each are to be invested in Kassel and Berlin.

But exports are to be stepped up, especially to the United States, having been deliberately kept on a short rein in 1976 in order to cater for domestic

demand. So much of this year's additional output will be shipped straight to the USA.

"In the United States even more than elsewhere lengthy delivery dates mean a corresponding loss of market share," Professor Zahn comments.

Daimler-Benz reckon delivery dates would present no further problems if only output could be stepped up by between 20,000 and 30,000 units a year, or about half the number of new Mercedes - roughly 50,000 or so - sold to members of staff last year.

The directors no longer seem as worried as they once were that the increasing importance of commercial vehicles might prove detrimental to the Mercedes image, although they remain peeved by the aggressive tenor of a recent advertising campaign by up-market rivals BMW of Munich.

Last year the commercial vehicle proportion of turnover declined for the first time in years, with private cars accounting for 48.2 per cent of sales, as opposed to 46.5 per cent the year before.

This trend is likely to continue, and not merely because of the defensive strategy the company have resolved to adopt in the commercial sector. Middle Eastern countries have cut back on their orders of heavy goods vehicles and output of fifteen-tonners and over has declined eleven per cent to 48,000 units.

Much the same applies to profits. Trucks netted much lower profits as a proportion of the total last year, while the bus division continues to operate at a loss, although it is not as deeply in the red as it once was.

By and large, however, this is because private vehicles are the money-spinners at present. Last year they accounted for more than 9,400 million deutschmarks of total turnover.

Car output in units was up 5.8 per cent, but in turnover terms the increase was a substantial eighteen per cent.

It is hardly surprising that company accountants have had difficulty in producing a statement in which burgeoning profits appear more modest than they probably are.

From profits after tax 180 million DM can be seen to have been declared as expenditure to offset what is deemed, in view of inflation, to be only an apparent profit. Capital gains tax is a more accurate reflection of the true profits position.

Joachim Zahn claims this financial strategy is indispensable. The company will badly need reserves on which to fall back in the course of forthcoming market tussles, he maintains.

Shareholders will feel somewhat less aggrieved now that dividend payments have been increased by 23 million to 225 million DM, or 9.50 DM per fifty-deutschmark share.

This is still a mere one per cent of company turnover, as against 1.3 per cent as recently as 1971, but Daimler-Benz are shortly to raise an additional 170 million marks in share capital and existing shareholders will not have to pay a premium.

Even now that corporation tax reforms have been implemented the rights issue is likely to be limited to one for one, since dividends will probably decline further in the short term.

Daimler-Benz In figures table with columns for in millions of deutschmarks, 1976, and Percentage change over previous year. Rows include Turnover worldwide, abroad, at home, Payroll and welfare spending, Investment, Depreciation, Taxation, Annual surplus, Output in units, and Profits per share.

"We are not dogmatic on this point," Professor Zahn says. "You may be sure we shall try to strike a sensible compromise."

Turnover for the year as a whole is expected to increase by between eight and ten per cent. Between January and the end of April the increase was 39 per cent.

Overall profits will probably be too, but mainly because managing director Zahn reckons interest payments will again provide a welcome boost to financial prospects.

(Frankfurter Rundschau, 27 May 1977)

Elderly prefer to go by foot

Elderly people cover greater distance on foot than they do by public transport, according to a survey of road users over the age of sixty. But one in four of those questioned reckon to feel unsure of themselves in traffic.

The survey was commissioned by the Federal Road Research Institute, Cologne, and conducted by the road safety research working party at Bielefeld University.

Old people, it seems, tend to direct their feet to the doctor's surgery, to shops, churches, cemeteries, parks and restaurants.

They are more likely to visit friends than relations, excepting only their children. One in three of the over-sixties questioned visit their children nearly every day because, of course, they live nearby.

Most destinations are reached on foot as a rule. Old folk occasionally travel by car, but very seldom use public transport.

One in four, or 24.9 per cent, to be precise, admit to feeling somewhat unsure of themselves in traffic. The most frequent complaints are that traffic lights switch to red too fast, that pavements are too narrow and that bus-pole forms and tram or train steps are too high up.

(Die Welt, 26 May 1977)

ENERGY

Growian, world's biggest windmill, planned as new source of power

Energy consumption and gross national product are closely interlinked, and in this country certainly seem to go hand in hand.

"Energy," Bonn Research Minister Hans Matthöfer recently noted, "is Man's foremost aid in influencing the environment with a view to improving living conditions."

So it is hardly surprising that as raw materials grow scarcer the industrialised countries are investing in alternative energy sources.

Coal, gas, oil and uranium not being available in unlimited quantities, we are left with fire, water, Earth and air - the four elements of the Ancient Greeks.

In comparison with fossil and fissile fuels these four have much in their favour. Unlike conventionally-fired power stations and the pace of industrial development as a whole, they are environmentally unimpeachable at a time when increasing attention is being paid to pollution levels.

There are instances of all four "elements" being harnessed here and now to generate power for Mankind: fire and water in France, Earth and air in this country.

For "fire" read "solar energy" and the answer is France's experimental solar power station in the Pyrenees, while another power station is harnessing tidal power along France's Atlantic seaboard.

Heat pumps can generate power from residual heat in the Earth itself. In



Schleswig-Holstein alone an estimated 100 single-family homes are heated in this way. And when it comes to element No. 4, the wind, there is Growian.

Growian stands for Grosse Windenergie-Anlage and is a jumbo windmill, or will be, since as yet it exists only on paper. But officials at the non-nuclear energy research department of the Bonn Ministry of Research and Technology envisage Growian towering sky-high somewhere along the North Sea coast before many more years have elapsed.

It would be the world's biggest windmill. After comparison of four designs Ministry officials in Bonn have opted for the Hütter model. Professor Ulrich Hütter of Stuttgart's university plans to mount on a steel pylon at least seventy metres (229ft 8in) tall a rotor consisting of two long, narrow fibreglass-reinforced blades that will rotate at high speed.

The rotor blades will have a diameter of between eighty and 100 metres (262ft and 328ft) and are specially designed to rotate steadily even when the wind changes direction.

On paper Growian appears powerful, stamp-proof and undemanding in the

materials and space it will require. It powers its generator via an axle in the way that might be expected of a windmill, so the basic design remains the same as it has always done.

By 1980 Growian could be generating two to three megawatts in a location where there is no shortage of stiff breezes. Bremerhaven reckons it fills this bill admirably and Horst Grunenberg, the city's MP in Bonn, is confident that Bremerhaven stands a fair chance of selection from among the four applicants to host the power station project.

Horst Grunenberg advocated experiments with windmills back in 1973 when spiralling oil prices first made people seriously consider alternative energy, but his idea was shelved as soon as the immediate shortage no longer loomed so large.

But it was revived as soon as nuclear power came to be regarded as a more dubious option, and the Ministry of Research, which between 1974 and 1976 allocated a mere 3,352,300 deutschmarks for research into wind power, has earmarked roughly five million marks for Growian preliminaries alone. The total project will cost somewhere in the region of twenty million deutschmarks.

The immediate objective is to draft blueprints for construction work. Additional research must be conducted to ensure that the rotor blades remain stable and that pylon and rotor do not

part company as a result of oscillation. A number of meteorological issues also await an answer and, last but not least, the most suitable location must be selected.

Research has already been commissioned and will, the Ministry says, probably start this June and be completed by August next year. The MAN company will be awarded the research contract and, assuming there are no further hitches, construction work could start at the end of 1978 after research results have been evaluated.

So the twenty-million-deutschmark windmill could be in operation by mid-1980.

Since the location must be windswept, Bremerhaven MP Horst Grunenberg remains optimistic that the North Sea port will breeze in first among would-be Growian locations.

Five metres per second is Bremerhaven's year-round wind average, which happens to be the ideal wind speed, or so specialists seem to feel.

Bremerhaven, population 140,000, may also prove a suitable location in another respect. It is also the location of an experimental garbage-fired power station or power-generating incinerator - likewise a Ministry-backed research project.

If Growian is built near the incinerator the power it generates can easily be fed into the grid. Bremerhaven would be happy to provide the site free of charge, complete with space for research facilities and accommodation.

Peak power demand in Bremerhaven is an estimated sixty megawatts. One of these days the city hopes to generate one sixth of this total from wind and garbage - alternative energy with a vengeance!

Jutta Kleine (Kiel Nachrichten, 25 May 1977)

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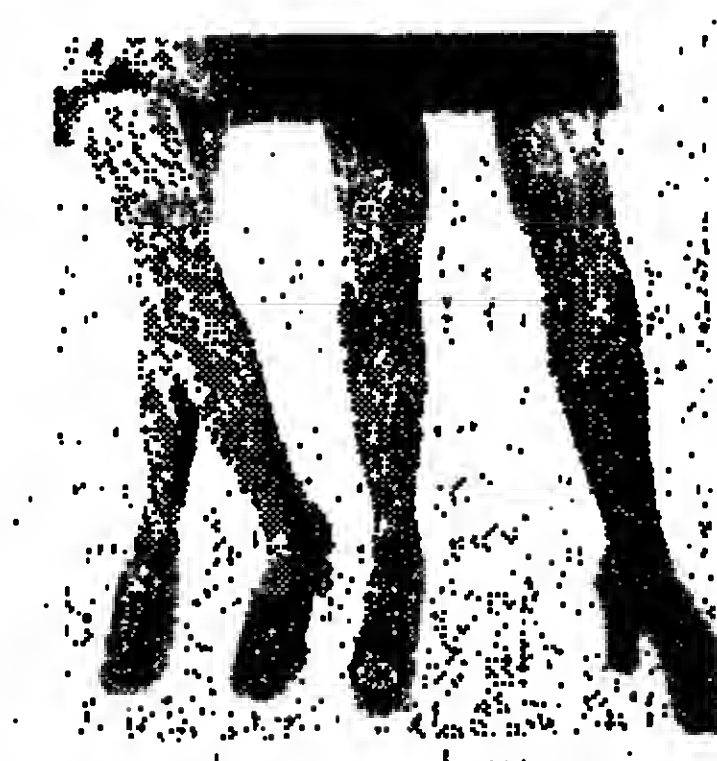
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